General Information

Legal form of entity	Municipality
Registered office	10 Connor Street Port Shepstone 4240
Business address	10 Connor Street Port Shepstone 4240
Postal address	P.O BOX 5 Port Shepstone 4240
Bankers	Nedbank
Auditors	Auditor-General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements,which are set out on pages 5 to 77 in terms of section 126(1) of the Municipal Finance Management Act, 2003.(Act No.56 of 2003) and which I have signed on behalf of the Municipality.

I certify that salaries,allowances and benefits of Councillors as disclosed on these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act,1998(Act No 20 of 1998) and the Minister of Provncial and Local Government's determination in accordance with this Act.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

Accounting Officer
SW Mkhize

Place of signature

Friday, August 31, 2012

Hibiscus Coast Municipality

Annual Financial Statements for the year ended June 30, 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	3	2,564,998	2,289,454
Other financial assets	4	1,188,773	66,673,217
Other receivables from non-exchange transactions	5	3,020,125	5,013,200
VAT receivable	6	1,691,343	-
Consumer debtors	7	95,545,035	92,839,320
Cash and cash equivalents	8	177,206,251	142,711,642
		281,216,525	**309,526,833**
Non-Current Assets			
Investment property	9	310,105,422	260,856,000
Property, plant and equipment	10	539,077,266	539,145,597
Intangible assets	11	467,534	679,777
Other financial assets	4	11,339,836	12,039,884
Housing selling units	35	46,892	46,892
		861,036,950	**812,768,150**
Total Assets		**1,142,253,475**	**1,122,294,983**
Liabilities			
Current Liabilities			
Operating lease liability	12	130,362	171,165
Payables from exchange transactions	13	87,357,895	84,404,707
VAT payable	14	-	268,280
Other financial liabilities	15	6,193,939	8,397,610
Post retirement health care benefits liability	16	1,874,882	1,096,777
Long service awards benefits liability	16	1,087,000	1,157,882
Consumer deposits	17	16,759,630	15,372,625
Unspent conditional grants and receipts	18	37,755,273	46,548,152
Provisions	19	28,344,872	26,993,600
		179,503,853	**184,410,798**
Non-Current Liabilities			
Other financial liabilities	15	54,499,037	58,840,945
Post retirement health care benefits liability	16	42,727,000	40,437,417
Long service awards benefits liability	16	8,632,000	6,739,815
		105,858,037	**106,018,177**
Total Liabilities		**285,361,890**	**290,428,975**
Net Assets		**856,891,585**	**831,866,008**
Net Assets			
Reserves			
Revaluation reserve		402,648,138	408,173,778
Accumulated surplus	37	454,243,447	423,692,230
Total Net Assets		**856,891,585**	**831,866,008**

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	20	241,251,259	220,523,626
Property rates - penalties imposed and collection charges	20	107,990	117,319
Service charges	21	114,436,923	97,199,536
Rental of facilities and equipment		2,308,100	2,324,932
Income from agency services		3,733,569	3,214,060
Fines		1,264,614	1,419,095
Licences and permits		5,444,335	5,840,705
Government grants & subsidies	22	156,134,919	150,090,775
Public contributions and donations	23	10,768,632	-
Interest received - investment	24	8,265,792	9,632,262
Interest earned arrear debtors		6,609,789	7,068,347
Other income	25	12,658,682	9,463,071
Total Revenue		**562,984,604**	**506,893,728**
Expenditure			
Personnel	26	233,210,267	218,878,386
Remuneration of councillors	27	15,700,827	14,613,313
Depreciation and amortisation	28	48,261,388	43,264,009
Impairment loss/ reversal of impairments	29	316,656	222,552
Finance costs	30	9,133,238	3,713,811
Bad debts	39	7,159,213	4,953,143
Repairs and maintenance		26,305,542	25,564,879
Bulk purchases	31	57,007,362	45,912,213
Contracted services	32	23,195,867	18,479,719
Grants and subsidies paid		5,785,216	6,967,282
General expenses	33	140,633,044	120,899,867
Audit fees	34	2,366,926	2,433,739
Contribution to landfill site	19	1,351,272	7,623,800
Total Expenditure		**570,426,818**	**513,526,713**
(Write down) Gain on inventory movements	3	3,452	(35,418)
Fair value adjustments	40	27,470,211	(95,631,340)
Gain on fair value of property plant and equipment	10	-	8,727,766
Loss on sale of property plant and equipment		(1,658,073)	-
Surplus (deficit) for the year		**18,373,376**	**(93,571,977)**

Hibiscus Coast Municipality

Annual Financial Statements for the year ended June 30, 2012

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at July 01, 2010	**413,840,156**	**504,642,388**	**918,482,544**
Changes in net assets			
Deficit for the year	-	(93,571,977)	(93,571,977)
Offsetting of depreciation	(5,666,378)	5,666,378	-
Reversal of retention held	-	440,448	440,448
Margate airport expenses	-	162,480	162,480
Creditors prior years	-	269,754	269,754
Inventory adjustments	-	(2,380,962)	(2,380,962)
Other debtors adjustments	-	4,992,974	4,992,974
Change in estimate	-	(218,320)	(218,320)
Transfer to Housing development fund	-	1,109,373	1,109,373
Total changes	(5,666,378)	(83,529,852)	(89,196,230)
Opening balance as previously reported	408,173,778	421,112,536	829,286,314
Adjustments			
Prior year adjustments(GRAP 3)	-	2,579,694	2,579,694
Balance at July 01, 2011 as restated	**408,173,778**	**423,692,230**	**831,866,008**
Changes in net assets			
Surplus for the year	-	18,373,376	18,373,376
Prior years retentions and creditors held	-	(43,724)	(43,724)
Ramsgate UIP	-	135,801	135,801
Stale cheques reversed	-	23,883	23,883
Prior years consumer deposits	-	5,960,437	5,960,437
Creditors UIF reversed	-	1,695,942	1,695,942
Change in estimate	-	(903,970)	(903,970)
Debtors UIF reversed	-	(162,962)	(162,962)
Other movements	-	(53,206)	(53,206)
Offsetting of depreciation	(5,525,640)	5,525,640	-
Total changes	(5,525,640)	30,551,217	25,025,577
Balance at June 30, 2012	**402,648,138**	**454,243,447**	**856,891,585**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Sale of goods and services		558,760,757	504,899,761
Interest income		8,265,792	9,632,262
Interest earned on arrear debtors		6,609,789	7,068,347
		573,636,338	521,600,370
Payments			
Suppliers		(515,690,502)	(496,558,259)
Finance costs		(9,133,238)	(3,713,811)
		(524,823,740)	(500,272,070)
Net cash flows from operating activities	41	**48,812,598**	**21,328,300**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(75,223,607)	(54,578,269)
Purchase of other intangible assets	11	(69,943)	(21,355)
Movements in long-term receivables		1,184,492	686,145
Movement in investments		65,000,000	(5,000,000)
Net cash flows from investing activities		**(9,109,058)**	**(58,913,479)**
Cash flows from financing activities			
New loan raised		-	55,000,000
Payment of long-term liabilities		(6,545,579)	(7,306,510)
Movement in other liability		1,336,648	1,109,372
Net cash flows from financing activities		**(5,208,931)**	**48,802,862**
Net increase/(decrease) in cash and cash equivalents		**34,494,609**	**11,217,683**
Cash and cash equivalents at the beginning of the year		142,711,642	131,493,957
Cash and cash equivalents at the end of the year	8	**177,206,251**	**142,711,642**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property plant and equipment . This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

1.3 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and Paving	30 years
• Pedestrian Malls	30 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
Community	
• Improvements	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other assets	
• Buildings	30 years
• Specialised vehicles	10 years
• Other vehicles	5 years
• Office equipment	3-7 years
• Furniture and fittings	5-10 years
• Watercraft	5 years
• Bins and containers	5 years
• Specialied plant and Equipment	10-15 years
• Other plant and equipment	2-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

The Amortisation is charged on a straight-line basis over their useful lives ,whcich is estimated to be between 2 to 7 years.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are categorised as financial assets and recognition at fair value, and are subsequently measured at amortised cost. Amortised cost refers to the initial carrying amount ,plus interest,less repayments and impairments.An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end in detail.The recoverability of debt owing by each debtor in the top 40% is assessed and the irrecoverable amount is provided for . The remaining 60% of debtors is classified based on category and area . Each classification is analysed and based on their circumstances ,the recoverability is determined and the irrecoverable amounts are provided for No provision is calculated for government debt and property rates as these cannot be written off.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of financial performance within operating expenses. When a trade receivable is uncollectable ,it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than three months.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.8 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The municipality translates the present value using the spot exchange rate at the date of the value in use calculation.

1.8 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.9 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

1.11 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.13 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.8 and 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Contingent assets and contingent liabilities

Contingent assets and liabilities are not recognised.Contingencies are disclosed in the notes to the annual financial statements.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

Accounting Policies

1.18 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Events after the reporting date

Events after the reporting date are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events are disclosed in the notes to the annual financial stetements.

Accounting Policies

1.26 Change in accounting policy,estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy.

Changes in accounting estimates are applied retrospectively in accordance with GRAP 3 requirments. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error .In such a case the municipality will restate the opening balances of assets,liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.27 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.29 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.30 Value added tax

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on the accrual basis of accounting ,however South African Revenue Services has registered and permitted the municipality to use the payment basis for determining the monthly amounts due to or from South African Revenue Services.

1.31 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.32 Related parties

Individuals as well as their close family members ,and/or entities are related parties if one party has the ability ,directly or indirectly ,to control or jointly control the other party or exercise significant influence over the other party in making financial and /or operating decisions. Key management personnel is defined as the Municipal manager,Chief Financial Officer and all other manager reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.33 Grant -In -Aid

The municipality transfers money to individulas ,organisations and other sectors of government from time to time.When making these transfers ,the municipality does not receive any goods or services delivery in return,as would have been expected ina purchase or sale .These transfers are recognised in the Statement of Financial Performance as an expense in the period that the events giving rise to the transfer.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 01, 2012 or later periods:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset’s heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3. Inventories

Maintenance materials	2,564,998	2,289,454

Write down /(Reversal) of inventory due to shortages	(3,452)	35,418

The inventory value is considered as the net realisable value of the stock because management feels that the stock is usable and any losses on ultimate realisable are immaterial.

Inventory pledged as security

There was no Inventory pledged as security for overdraft facilities or any financial liabilities.

4. Other financial assets

Held to maturity		
Investments The investments consists of fixed deposits redeemable over 90 days and not more than 1 year and earn interest varying from 7.50% and 7.90% per annum.	-	65,000,000
Loans and receivables		
Ugu District Municipality This amount owed by Ugu to HCM represents the amoutn paid by HCM to DBSA on behalf of Ugu arising from transfer of powers and functions. The instalment varies and paid semi- annually.	12,483,030	13,664,619
Housing Schemes Loans These long-term debtors refer to housing rent schemes that were purchased by the existing owners . The instalments are paid on a monthly basis.	45,579	48,482
	12,528,609	**13,713,101**
	12,528,609	**78,713,101**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

4. Other financial assets (continued)

Non-current assets		
Loans and receivables	11,339,836	12,039,884
Current assets		
Investments	-	65,000,000
Loans and receivables	1,188,773	1,673,217
	1,188,773	**66,673,217**
	12,528,609	**78,713,101**

5. Other receivables from non-exchange transactions

Other receivables from non-exchange revenue	1,747,490	4,616,208
Payments received in advance	326,471	264,239
Advances and other debtors	946,164	-
Government grants and subsidies	-	132,753
	3,020,125	**5,013,200**

Other receivables from non-exchange transactions pledged as security

There are no other receivables from non-exchange transactions pledged as security for overdraft facilities.

6. VAT receivable

VAT	1,691,343	-

Vat is payable on the payment basis. Once payment is received from debtors,VAT is payable over to SARS.

7. Consumer debtors

Gross balances		
Rates	59,689,774	57,254,065
Electricity	10,441,187	8,157,191
Water	15,401,360	14,609,109
Refuse	11,226,262	9,331,912
Other debtors	24,540,013	29,595,228
	121,298,596	**118,947,505**
Less: Provision for debt impairment		
Electricity	(4,585,837)	(4,078,595)
Water	(2,333,202)	(8,765,465)
Refuse	(3,718,119)	(4,665,956)
Sundry and others	(15,116,403)	(8,598,169)
	(25,753,561)	**(26,108,185)**
Net balance		
Rates	59,689,774	57,254,065
Electricity	5,855,350	4,078,596
Water	13,068,158	5,843,644
Refuse	7,508,143	4,665,956
Other debtors	9,423,610	20,997,059
	95,545,035	**92,839,320**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

7. Consumer debtors (continued)

Rates		
Current (0 -30 days)	206,469	46,061
31 - 60 days	4,776,367	4,242,501
61 - 90 days	3,690,491	3,389,461
91 - 120 days	3,078,439	2,616,087
+121days	47,938,008	46,959,955
	59,689,774	**57,254,065**

Electricity		
Current (0 -30 days)	8,884,015	7,364,026
31 - 60 days	384,017	285,676
61 - 90 days	208,723	90,019
91 - 120 days	113,478	69,470
+121days	850,955	348,000
	10,441,188	**8,157,191**

Interests		
Current (0 -30 days)	1,213,546	1,346,661
31 - 60 days	604,683	625,544
61 - 90 days	586,831	596,000
91 - 120 days	541,007	570,655
+121 days	12,455,292	11,470,249
	15,401,359	**14,609,109**

Refuse		
31 - 60 days	791,162	850,998
61 - 90 days	709,858	748,070
91 - 120 days	635,357	554,334
+121days	9,089,885	7,178,510
	11,226,262	**9,331,912**

Sundry charge and others		
Current (0 -30 days)	1,648,969	2,393,317
31 - 60 days	333,701	515,173
61 - 90 days	1,688,562	738,026
91 - 120 days	5,886,449	5,772,739
+121 days	14,982,332	20,175,973
	24,540,013	**29,595,228**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	5,032,575	2,305,922
31 - 60 days	3,723,537	3,036,672
61 - 90 days	3,522,328	4,988,374
91 - 120 days	2,959,200	3,325,766
+121 days	59,380,395	72,093,817
	74,618,035	85,750,551
Less: Provision for debt impairment	(13,500,999)	(15,664,911)
	61,117,036	**70,085,640**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
7. Consumer debtors (continued)		
Industrial/ commercial		
Current (0 -30 days)	2,720,243	2,787,602
31 - 60 days	7,082,539	907,337
61 - 90 days	13,970,047	908,544
91 - 120 days	5,547,590	845,988
+121 days	6,725,788	6,587,723
	36,046,207	12,037,194
Less: Provision for debt impairment	(8,294,022)	(6,953,011)
	27,752,185	**5,084,183**
National , provincial government and other		
Current (0 -30 days)	4,053,679	2,492,290
31 - 60 days	397,057	544,641
61 - 90 days	312,923	426,529
91 - 120 days	162,906	3,444,352
+121 days	5,707,789	14,251,946
	10,634,354	21,159,758
Less: Provision for debt impairment	(3,956,540)	(3,490,263)
	6,677,814	**17,669,495**
Total		
Current (0 -30 days)	12,021,681	7,975,250
31 - 60 days	7,025,101	9,395,589
61 - 90 days	5,900,952	5,193,079
91 - 120 days	4,696,990	6,900,822
+121 days	91,653,873	89,482,765
	121,298,597	118,947,505
Less: Provision for debt impairment	(25,753,561)	(26,108,185)
	95,545,036	**92,839,320**
Less: Provision for debt impairment		
61 - 90 days	(7,600,982)	(8,543,421)
91 - 120 days	(7,950,012)	(8,643,442)
+121 days	(10,202,567)	(8,921,322)
	(25,753,561)	**(26,108,185)**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(26,108,185)	(23,268,422)
Contributions to provision	(7,159,213)	(2,839,763)
Amount written off as uncollectible	7,513,837	-
	(25,753,561)	**(26,108,185)**

Consumer debtors pledged as security

There were no consumer debtors pledged as security for overdraft facilities for the year ended 30 June 2012.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

8. Cash and cash equivalents (continued)

Cash on hand	25,557	23,990
Bank balances	4,483,176	5,600,020
Short-term deposits	172,697,518	137,087,632
Total cash and cash equivalents	**177,206,251**	**142,711,642**

Cash and cash equivalents held by the municipality are available for use by the municipality	177,206,251	142,711,642

For the purpose of the Statement of financial position and Statement of cash flows ,cash and cash equivalents includes cash on hand,cash in bank and call accounts in money markets instruments net of outstanding bank overdraft.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2012	June 30, 2011	June 30, 2010
05 325 607 7-Standard Bank Primary Bank Acc	2,752,361	4,557,027	6,659,617	4,443,820	5,600,000	8,325,189
1020541857(Nedbank primary bank a/c)	39,357	-	-	39,357	-	-
91-4947-4529 ABSA (Louisiana Housing)	9,067,401	9,707,191	24,821,122	9,067,401	9,707,191	24,821,122
91-4947-4529 ABSA (Nzimakwe Housing)	621,634	571,158	596,936	621,634	571,158	596,936
91-4947-4927 ABSA(Nzimakwe Housing2)	811,931	772,562	3,259,562	811,931	772,692	3,259,562
91-4947-5509 ABSA (Bhobhoyi Housing)	357,921	340,624	9,252,853	357,921	340,624	9,252,853
91-4947-5753 ABSA (Bhobhoyi Housing 1)	11,854	11,360	10,719	11,854	11,360	10,719
91-4947-5208 ABSA (Damaged Housing)	102,729	98,647	94,387	102,729	98,647	94,387
91-4940-1627 ABSA (Uplands Housing)	63,306	60,791	58,166	63,306	60,791	58,166
91-4940-1164 ABSA (Mkholombe Housing)	30,395	29,187	27,919	30,395	29,187	27,979
1400-190309-500(Investc Call Account)	62,109,668	-	-	62,109,668	-	-
91-5277-5491 ABSA (Aids Project)	114,712	110,154	105,397	114,712	110,154	105,397
89140-356988 STD Bank (Masinenge Housing)	1,398,260	3,786,689	10,609	1,398,260	3,786,689	10,609
89139-356986 STD Bank (KwaMavundla Housing)	190,503	181,206	171,749	190,503	181,206	171,749
89141-356989 STD Bank (Kwaxolo Housing)	4,440,658	133,354	60,354	4,440,658	133,354	60,354
90439-364623 STD Bank (KwaNdwalane Housing)	2,083,546	2,429,339	2,491,688	2,083,546	2,429,339	2,491,688
1400-190309-500 Investec (MHOA)	26,722,010	20,320,438	19,276,640	26,722,010	20,320,438	19,276,640
89111-356985 STD Bank (CCDC)	33,946,510	97,201,348	823,442	33,946,510	97,201,348	823,442
89111-357732 STD Bank	89,824	85,441	80,981	89,824	85,441	80,981
89111-360253 STD Bank	30,534,658	1,222,235	62,028,193	30,534,658	1,222,235	62,028,193
Total	**175,489,238**	**141,618,751**	**129,830,334**	**177,180,697**	**142,661,854**	**131,495,966**

9. Investment property

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	310,105,422	-	310,105,422	260,856,000	-	260,856,000

Reconciliation of investment property - 2012

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Vacant land	233,032,001	(1,290,000)	23,069,211	20,878,211	275,689,423
Building	27,823,999	-	-	6,592,000	34,415,999
	260,856,000	**(1,290,000)**	**23,069,211**	**27,470,211**	**310,105,422**

Reconciliation of investment property - 2011

	Opening balance	Transfers to (from) Investment property	Fair value adjustments	Total
Vacant land	104,573,000	212,255,340	(83,796,339)	233,032,001
Building	41,177,000	(1,518,000)	(11,835,001)	27,823,999
	145,750,000	**210,737,340**	**(95,631,340)**	**260,856,000**

Details of valuation

Investment property which mainly comprises land and building are stated at fair values ,which have been determined based on the valuations by E-Evaluations as at 30 June 2012 an industry specialist in valuing thses types of properties .Messrs E-Evaluations is the member of the Institute of Valuers ,and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.The valuation ,which conforms to Internantional Valuation Standards ,was arrived at by reference to market evidence of transaction prices for similar properties.

10. Property, plant and equipment

	2012			2011		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	149,807,749	(60,837,370)	88,970,379	173,761,096	(55,760,546)	118,000,550
Infrastructure	453,853,242	(158,491,570)	295,361,672	422,435,334	(128,751,881)	293,683,453
Community	181,547,082	(55,462,594)	126,084,488	146,517,944	(50,347,197)	96,170,747
Other property, plant and equipment	80,427,546	(54,829,571)	25,597,975	80,426,027	(52,725,437)	27,700,590
Capitalised leases	6,046,149	(4,112,176)	1,933,973	6,046,149	(3,507,562)	2,538,587
Heritage	1,128,779	-	1,128,779	1,079,161	(27,491)	1,051,670
Total	**872,810,547**	**(333,733,281)**	**539,077,266**	**830,265,711**	**(291,120,114)**	**539,145,597**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Capital under construction	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and buildings	118,000,551	56,150	-	(1,012,000)	(23,069,211)	(5,005,110)	-	88,970,380
Infrastructure	293,683,453	7,488,270	23,929,637	-	-	(29,739,688)	-	295,361,672
Community	96,170,747	11,504,241	23,524,897	-	-	(5,115,397)	-	126,084,488
Other property, plant and equipment	27,700,590	8,643,303	-	(3,014,312)	-	(7,414,950)	(316,656)	25,597,975
Capitalised leases	2,538,587	-	-	-	-	(604,615)	-	1,933,972
Heritage	1,051,670	77,109	-	-	-	-	-	1,128,779
	539,145,598	**27,769,073**	**47,454,534**	**(4,026,312)**	**(23,069,211)**	**(47,879,760)**	**(316,656)**	**539,077,266**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers to investment property	Fair value gain	Other changes, movements	Depreciation	Impairment loss	GRAP 3 Adjustments	Total
Land and Building	333,569,633	2,435,229	(212,255,340)	-	1,518,000	(4,929,402)	-	(2,337,570)	118,000,550
Infrastructure	279,604,605	41,033,829	-	-	-	(26,954,981)	-	-	293,683,453
Community	92,132,367	6,626,467	-	-	-	(4,925,657)	-	2,337,570	96,170,747
Other property, plant and equipment	20,735,656	4,482,744	-	7,905,691	119,198	(5,963,931)	-	421,232	27,700,590
Capitalised leases	889,470	-	-	-	-	(239,467)	-	1,888,584	2,538,587
Heritage	257,086	-	-	822,075	-	-	(27,491)	-	1,051,670
	727,188,817	**54,578,269**	**(212,255,340)**	**8,727,766**	**1,637,198**	**(43,013,438)**	**(27,491)**	**2,309,816**	**539,145,597**

Pledged as security

No property plant and equipment were pledged as security for any financial liabilities.

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2012			2011		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets	2,411,612	(1,944,078)	467,534	2,518,155	(1,838,378)	679,777

11. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Other intangible assets	679,777	69,943	(282,186)	467,534

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Other changes, movements	Amortisation	Impairment loss	GRAP 3 Adjustments	Total
Intangible assets	834,774	21,335	120,852	(250,571)	(195,061)	148,448	679,77

Pledged as security

No intangible assets were pledged as security for any financial liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

12. Operating lease liabilities/payables

Operating leases are recognised on a straight line basis as required by GRAP 13 . The following operating lease liabilities have been recognised:

Balance at beginning of year	171,165	127,735
Operating lease expenses recorded	945,083	950,329
Operating lease payments effected	(985,886)	(906,899)
	130,362	**171,165**

Leasing arrangements

The Municipality as Lessee

Operating Leases relates to property,plant and equipment with lease term no longer than 5 years, with an option to extend for further period.The municipality does not have an option to purchase the leased asset at the end of the lease term

Amount payable under operating leases

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Within one year	7,253,443	8,052,361
Later than one year	4,300,987	5,640,245
	11,554,430	**13,692,606**

Operating lease payments represent rentals payable by the municipality for properties and equipment

The lease was negotiated for periods ranging from 36 months to 119 months.The rentals escalate between 8% and 11%.No contingent rent is payable.

13. Payables from exchange transactions

Trade payables	8,943,099	1,695,944
Payments received in advance	24,937,031	23,739,125
Retention	12,083,137	13,457,076
Other payables and deposits	2,632,046	7,994,562
Accruals	22,072,984	18,964,858
Leave accrual	13,153,879	12,730,595
Southbroom UIP	267,649	299,087
Outstanding cheques at year end	2,439,725	5,070,917
Accrual :Overtime and other employee related costs	828,345	452,543
	87,357,895	**84,404,707**

The prior year figures of trade payables has been restated to correctly disclose VAT Payable as per GRAP 1 requirements. Refer to note on " Correction of error" for details of restatement.

14. VAT payable

VAT	-	268,280

VAT is payable on the payment basis.Once payment is received from debtors it is payable over to SARS.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

15. Other financial liabilities

Held at amortised cost		
DBSA	9,558,437	11,047,158
Structured unsecured loans taken over from the loacl municipalities as a result of a change of powers and functions . Repaid semi- annually in December and June at various interest rates. Loans are repayable over the period between 10 to 20 years.		
Planet Finance	49,758	79,478
Structured unsecured loan repayable monthly in fixed instalments of capital and rate of interest. Terms and conditions. Loans are repayable over the period between 5 to 10 years.		
Standard Bank	50,139,757	53,459,001
Structured unsecured 20 year loan. Repayable semi-annually in October and April in fixed instalments of capital and fixed interest rate.		
Infrastructure Finance Corporation	945,024	2,652,918
Structured unsecured 10 year loan. Repayable semi-annually in fixed instalments of capital and fixed interest rate.		
	60,692,976	**67,238,555**

Non-current liabilities		
At amortised cost	54,499,037	58,840,945
Current liabilities		
At amortised cost	6,193,939	8,397,610
	60,692,976	**67,238,555**

16. Employee benefit obligations

Post retirement medical aid benefits liability

Balance at beginning of Year	41,534,194	37,308,041
Current service costs	1,312,000	1,644,858
Interest costs	3,567,806	3,372,647
Subsidies paid	(1,967,000)	(1,481,556)
Actuarial loss	154,000	690,204
Balance at end of Year	44,601,000	41,534,194
Transfer to current portion	(1,874,882)	(1,096,777)
Total post-retirement medical aid benefits Liability	**42,726,118**	**40,437,417**

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Zaqen Actuaries , Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Aid Benefit Plan are made up as follows:		
In-service Members (Employees)	447	426
Continuation Members (Retirees, widowers and orphans)	84	76
Total members	**531**	**502**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

16. Employee benefit obligations (continued)

The liability in respect of past service has been estimated as follows (R million):

In-service Members	16,569,000	17,114,398
Continuation Members	28,032,000	24,419,796
	44,601,000	**41,534,194**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R1 322 000, whereas the interest cost for the year after is estimated to be R3 532 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

Health Care Cost Inflation Rate	7.92 %	8.59 %
Discount rates	5.74 %	5.38 %
Medical Aid Inflation Rate	6.74 %	7.38 %
Expected Retirement Age	65	65

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of unfunded obligations	44,601,000	41,534,194
Non-current liabilities	(42,726,118)	(40,437,417)
Current liabilities	(1,874,882)	(1,096,777)
	(44,601,000)	**(41,534,194)**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,312,000	1,644,858
Interest cost	3,568,000	3,372,647
Actuarial (gains) losses	154,000	690,209
Adjustments for restrictions on the defined benefit asset	-	-
Total included in employee related costs	**5,034,000**	**5,707,714**

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	41,534,194	37,308,041
Current service costs	1,312,000	1,644,858
Interest cost	3,567,806	3,372,647
Benefits paid	(1,967,000)	(1,481,556)
Actuarial losses / (gains) recognised	154,000	690,204
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present value of fund obligation at the end of the year	**44,601,000**	**41,534,194**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

16. Employee benefit obligations (continued)

Movements in the present value of the defined benefit assets were as follows:

	2012	2011
Contributions by employer	1,967,000	1,481,556
Benefits paid	(1,967,000)	(1,481,556)
Balance at the end of the year	**-**	**-**

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010	2009	2008
Present Value of Defined Benefit Obligation	44,601,000	41,534,194	29,089,041	27,708,000	20,997,996
Fair Value of Plan Assets	-	-	-	-	-
Deficit	**44,601,000**	**41,534,194**	**29,089,041**	**27,708,000**	**20,997,996**
Experienced adjustments on Plan Liabilities	4,854,000	690,209	5,310,000	(1,268,772)	5,180,000
Experienced adjustments on Plan Assets	-	-	-	-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	2012	2011
Increase:		
Effect on the aggregate of the current service cost and the interest cost	5,820,000	1,630,878
Effect on the defined benefit obligation	52,023,000	48,176,058
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	4,102,000	1,065,377
Effect on the defined benefit obligation	38,648,000	38,138,326

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2012 in terms of IAS 19, Employee Benefits, paragraph155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2012.

Defined benefit plan

Long Service Awards and Retirement Gifts Liability

	2012	2011
Balance at beginning of year	7,897,697	7,163,703
Interest costs	764,000	647,590
Current service cost	678,000	695,179
Benefits paid	(877,000)	(1,088,422)
Acturial losses	1,256,000	479,646
Total	9,718,697	7,897,697
Transfer to Current Provisions	(1,087,000)	(1,157,882)
	8,631,697	**6,739,815**

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to lenght of service.

The most recent acturial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Zaqen Actuaries (Pty) Ltd ,Fellow of the Actuarial Society of South Africa Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to lenght of service.

Figures in Rand	2012	2011

16. Employee benefit obligations (continued)

The employees eligible for long service awards are made up as follows:

Male	651	624
Female	453	415
	1,104	**1,039**

The future -service costs for the ensuring year is estimated to be R869 000 whereas the interest cost for the year after is estimated to be R769 000

The principal assumptions used for the purpose of the actuarial valuations were as follws:

Discount rate	8 %	9 %
General Salary Inflation(Long term)	6 %	5 %
Net Effective Discount Rate	2 %	6 %
Expected Retirement Age	65	65

The amount recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	9,718,697	7,897,697

The amount recognised in the Statement of Financial Performance

Current service costs	764,000	695,179
Interest cost	678,000	647,590
Actuarial losses/(gains)	1,256,000	479,646
	2,698,000	**1,822,415**

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	7,897,697	7,163,703
Current service costs	764,000	695,179
Interest costs	678,000	647,591
Benefits paid	(877,000)	(1,088,422)
Actuarial losses/(gains)	1,256,000	479,646
	9,718,697	**7,897,697**

Movements in the present value of plan assets were as follows:

Contributions from employer	877,000	1,088,422
Benefits paid	(877,000)	(1,088,422)
	-	-

The history of experienced adjustments is as follows:

Present Value of Obligation	9,718,697	7,897,696

Th effect of 1% movement in the assumed rate of general salary inflation is as follows:

Increase

Effect on the aggregate of the current service cost and the interest cost	1,448,000	842,532
Effect on the defined benefit obligation	8,848,000	8,543,482
	10,296,000	**9,386,014**

Decrease

Effect on the aggregate of the current service cost and the interest cost	1,878,000	694,766
Effect on the defined benefit obligation	10,771,000	7,315,058

Figures in Rand	2012	2011

16. Employee benefit obligations (continued)

	12,649,000	**8,009,824**

The transitional Defined Benefit Liabilities for Post-retirement medical aid Benefits have been recognised in the annual financial statements of the municipality as at 30 June 2012 in terms of IAS 19,Employee Benefits,paragraph 155(a).The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately ,thus the full transitional liability has been recognised as at 30 June 2012.

17. Consumer deposits

Electricity	4,639,546	4,015,811
Verge and other	12,120,084	11,356,814
	16,759,630	**15,372,625**

Guarantees in lieu of consumer deposits	1,226,842	1,343,422

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

National government grants	6,849,229	24,412,297
Provincial government grants	29,633,530	18,492,810
Other conditional grants	1,272,514	3,643,045
	37,755,273	**46,548,152**

Movement during the year

Balance at the beginning of the year	46,548,152	66,592,648
Additions during the year	90,537,069	59,751,036
Income recognition during the year	(99,329,948)	(79,795,532)
	37,755,273	**46,548,152**

See note 22 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2012

	Opening Balance	**Contribution**	**Total**
Environmental rehabilitation	26,993,600	1,351,272	28,344,872

Reconciliation of provisions - 2011

	Opening Balance	**Contribution**	**Total**
Environmental rehabilitation	19,369,800	7,623,799	26,993,600

The best estimate for the Landfill Site Rehabilitation has been determined by SSI Engineers (The Environmental engineers)and is based on the present value at the Statement of Financial Position date .

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

20. Property rates

Rates received

Rates residential	228,659,920	208,845,979
Commercial properties	32,689,686	30,229,633
Public service infrastructure	1,199,469	1,124,792
Industrial properties	7,287,778	7,301,265
Mining properties	76,124	149,690
Agricultural bona fide properties	1,026,309	962,457
Institutional properties	2,959,816	2,725,071
Special purpose properties	202,390	146,282
Less: Income forgone	(32,850,233)	(30,961,543)
	241,251,259	220,523,626
Property rates - penalties imposed and collection charges	107,990	117,319
	241,359,249	**220,640,945**

Valuations

Rates residential	29,723,204,182	29,300,813,582
Commercial properties	2,151,157,164	2,063,095,864
Industrial properties	477,424,822	472,434,822
Mining Properties	4,980,000	4,980,000
Agricultural bona fide properties	1,343,520,000	1,335,953,000
Agricultural -mixed properties	155,980,000	148,408,000
Institutional properties	785,563,040	755,615,040
Special purpose properties	54,329,400	53,426,400
Public service infrastructure	896,985,000	891,728,000
Municipal owned properties	569,462,000	564,236,000
	36,162,605,608	**35,590,690,708**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008 .Interim valuations are performed ona quarterly basis to take into account changes in individual property values due to alterations. The new valuation roll will be implemented on 01 July 2012

21. Service charges

Sale of electricity	81,125,522	66,128,854
Refuse removal	33,311,401	31,070,682
	114,436,923	**97,199,536**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Government grants and subsidies

Equitable share	56,805,000	70,295,243
Municipal infrastructure grant	31,770,775	31,368,611
Housing grants	41,284,307	40,761,725
Finance management grant (FMG)	1,470,492	1,528,969
Municipal systems improvement grant(MSIG)	173,508	793,842
Provincial museums subsidies	250,000	283,000
Provincial libraries	3,211,017	310,894
Raha bolo	151,666	454,953
Cogta(Ugu shared town planner)	263,500	-
Gijima 2nd economy	41,865	-
Dept of energy	14,287,263	-
Cogta grants	4,304,983	-
Dept of transport	1,505,000	-
Dept of sport	615,543	-
Credit management grant	-	400,000
Disaster management grant	-	3,058,413
Operations grant	-	92,115
Environmental grant	-	24,700
Spatial planning grant	-	60,000
Capacity building grant	-	290,545
Umsobomvu youth fund	-	23,474
Economic development	-	257,571
HIV/AIDS Grant	-	86,720
	156,134,919	**150,090,775**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

Municipal infrastructure grant(MIG)

Balance unspent at beginning of year	6,391,805	18,203,416
Current-year receipts	25,379,000	19,557,000
Conditions met - transferred to revenue	(31,770,805)	(31,368,611)
	-	**6,391,805**

This grant is used to subsidise the costs of providing infrastructure .Conditions of the grant have been met. There was no delay or withholding of the grant.

Housing grants

Balance unspent at beginning of year	18,492,810	40,935,744
Current-year receipts	47,787,399	18,318,792
Conditions met - transferred to revenue	(41,284,307)	(40,761,726)
	24,995,902	**18,492,810**

This grant is used to subsidise the costs of providing housing infrastructure .Certain conditions of the grant have been met.There was no delay or withholding of the grant.

Finance management grant

Balance unspent at beginning of year	20,492	349,461
Current-year receipts	1,450,000	1,200,000
Conditions met - transferred to revenue	(1,470,492)	(1,528,969)

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

22. Government grants and subsidies (continued)

	-	**20,492**

This grant is used to subsidise the costs of building capacity of the treaury official and payments of salaries of Finance Management Interns.Conditions of the grant have been met. There was no delay or withholding of the grant.

Dept of sport grant

Balance unspent at beginning of year	913,500	913,500
Conditions met - transferred to revenue	(615,543)	-
	297,957	**913,500**

This grant is used subsidise various sporting codes.Certain conditions of the grant have not been met.There was no delay or withholding of the grant.

Gijima 2nd economy grant

Balance unspent at beginning of year	41,865	41,865
Conditions met - transferred to revenue	(41,865)	-
	-	**41,865**

This grant is used to subsidise the local economic development in the area.Conditions of the grant have been met.There was no delay or withholding of the grant.

Corridor fund ugu

Balance unspent at beginning of year	1,272,514	1,272,514

This grant is used to subsidise the costs of upgrading the airport for the FIFA World Cup.Conditions of the grant have not been met.There was no delay or withholding of the grant.

Department of energy

Balance unspent at beginning of year	18,000,000	-
Current-year receipts	2,520,000	18,000,000
Conditions met - transferred to revenue	(14,287,263)	-
	6,232,737	**18,000,000**

This grant is used to subsidise the costs of financing infrastructure .Certain conditions of the grant have been met.There wa no delay or withholing of the grant.

COGTA(Ugu shared town planner)

Balance unspent at beginning of year	263,500	-
Current-year receipts	-	263,500
Conditions met - transferred to revenue	(263,500)	-
	-	**263,500**

This grant is used to pay the salary of the shared service town planner in the district. Conditions of the grant have been met.There was no delay or withholding of the grant.

Cogta grants(incl Urban Renewal)

Balance unspent at beginning of year	1,000,000	-
Current-year receipts	7,457,024	1,000,000
Conditions met - transferred to revenue	(4,304,983)	-

Figures in Rand	2012	2011

22. Government grants and subsidies (continued)

	4,152,041	**1,000,000**

This grant is used to subsdise the costs of developing Margate.Certain conditions of the grant have been met. There was no delay or withholding of the grant.

Ugu district municipality(IDP)

Balance unspent at beginning of year	151,666	-
Current-year receipts	-	151,666
Conditions met - transferred to revenue	(151,666)	-
	-	**151,666**

This grant is used to subsidise the cost of IDP document compilation.Conditions of the grant have been met.There was no delay or withholding of the grant.

Municipal systems improvement grant(MSIG)

Balance unspent at beginning of year	-	43,842
Current-year receipts	790,000	750,000
Conditions met - transferred to revenue	(173,508)	(793,842)
	616,492	**-**

This grant is used to subsidise the costs of revising the IDP. Certain conditions of the grant have been met .There was no delay or withholding of the grant.

Credit management grant

Balance unspent at beginning of year	-	400,000
Conditions met - transferred to revenue	-	(400,000)
	-	**-**

This grant is used to subsidise the costs of revenue collection strategy. Conditions of the grant have been met.There was no delay or withholding of the grant.

Disaster management grant

Balance unspent at beginning of year	-	3,058,413
Conditions met - transferred to revenue	-	(3,058,413)
	-	**-**

This grant is used to subsidise the costs of disaster due to floods in the area.Conditions of the grant have been met.There was no delay or withholding of the grant.

Operations grant

Balance unspent at beginning of year	-	92,115
Conditions met - transferred to revenue	-	(92,115)
	-	**-**

This grant is used to subsidise the cost of providing efficient administrative services .Conditions of the grant have been met .There was no delay or withholding of the grant.

Environmental grant

Balance unspent at beginning of year	-	24,700

Figures in Rand	2012	2011

22. Government grants and subsidies (continued)

Conditions met - transferred to revenue	-	(24,700)
	-	**-**

This grant is used to provide the costs of maintaining the environment within the area .Conditions of the grant have been met .There was no delay or withholding of the grant.

Provincial museums grant

Balance unspent at beginning of year	-	138,000
Current-year receipts	250,000	145,000
Conditions met - transferred to revenue	(250,000)	(283,000)
	-	**-**

This grant is used to subsidise the costs of maintaining museums .Conditions of the grant have been met.There was no delay or withholding of the grant.

Spatial planning grant

Balance unspent at beginning of year	-	60,000
Conditions met - transferred to revenue	-	(60,000)
	-	**-**

This grant is used for the development of the Rural Nose Framework .Conditions of the grant have been met.There wa no delay or withholding of the grant.

Provincial libraries grant

Balance unspent at beginning of year	-	124,294
Current-year receipts	3,398,647	186,000
Conditions met - transferred to revenue	(3,211,017)	(310,294)
	187,630	**-**

This grant is used to subsidise the costs of maintaining the libraries.Conditions of the grant have been met. There was no delay or withholding of the grant.

Capacity building grant

Balance unspent at beginning of year	-	290,545
Conditions met - transferred to revenue	-	(290,545)
	-	**-**

This grant is used to subsidise the cost of capacitating the municipal staff.Conditions of the grant have been met. There was no delay or withholding of the grant.

Umsobomvu youth fund

Balance unspent at beginning of year	-	23,474
Conditions met - transferred to revenue	-	(23,474)
	-	**-**

This grant is used to subsidise the costs of providing services to the youth. Conditions of the grant have been met.There was no delay or withholding of the grant.

Raha bolo grant

Figures in Rand	2012	2011

22. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	276,473
Conditions met - transferred to revenue	-	(276,473)
	-	-

This grant is used to subsidise the costs of promoting 2010 FIFA World Cup. Conditions of the grant have been met.There was no delay or withholding of the grant.

HIV/AIDS grant

Balance unspent at beginning of year	-	86,720
Conditions met - transferred to revenue	-	(86,720)
	-	-

This grant is used to subsidise the fight against HIV. Conditions of the grant have been met. There was no delay or withholding of the grant.

Economic development grant

Balance unspent at beginning of year	-	257,571
Conditions met - transferred to revenue	-	(257,571)
	-	-

This grant is used to subsidise the costs of promoting economic development in the area .Conditions of the grant have been met.There was no delay or withholding of the grant.

Department of transport

Current-year receipts	1,505,000	-
Conditions met - transferred to revenue	(1,505,000)	-
	-	-

This grant is used to subsidise the cost of building the Margate Sky Bridge . Conditions of the grant have been met. There was no delay or withholding of the grant.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Public contributions and donations

Public contributions and donations	10,768,632	-

Reconciliation of public contributions and donations

Current-year receipts	10,768,632	-

The Department of Arts and Culture donated kwaNdwalane library to the municipality to be utilised by the members of the communty. The municiplity's responsibility is maintain and ensure smooth running of operations and the department is contributing to the salaries of the staff library. The contribution were utilised for this purpose.

24. Interest Earned

Interest revenue

Interest earned on investments	8,265,792	9,632,262

Notes to the Annual Financial Statements

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25. Other income

Margate airport income	3,010,667	3,266,053
Skills development	1,083,068	601,655
Admin and certificates revenue	760,815	815,962
Town planning related	2,117,434	1,926,461
Miscellaneous income	1,546,571	2,277,078
Traffic and fire related	604,127	548,437
Bad debt recovered	-	27,425
Clinics subsidies	3,536,000	-
	12,658,682	**9,463,071**

26. Employee related costs

Basic	134,505,936	122,894,781
Section 57 Managers	5,984,720	6,563,427
UIF	33,393,895	30,913,881
Post-employment benefits - Pension - Defined contribution plan	5,034,000	5,707,714
Travel, motor car, accommodation, subsistence and other allowances	7,554,145	7,766,579
Overtime payments	13,456,384	9,886,547
Long-service awards	2,698,000	1,822,415
13th Cheques	11,043,156	10,966,857
Housing benefits and allowances	870,473	2,005,435
Other employee related costs	19,342,545	20,350,750
	233,883,254	**218,878,386**

Municipal manager

Annual Remuneration	505,641	497,858
Car Allowance,Entertainment,Housing,Subsistence and Other Allowances	419,877	442,710
Contributions to UIF, Medical and Pension Funds	42,330	24,027
	967,848	**964,595**

Chief finance officer

Annual Remuneration	444,000	259,000
Car,Entertaiment,Housing,Subsistence and Other Allowances	354,544	177,557
Contributions to UIF, Medical and Pension Funds	22,885	23,888
	821,429	**460,445**

Corporate Services

Annual Remuneration	310,600	310,600
Car ,Entertainment,Housing,Subsistence and Other Allowances	395,437	362,445
Performance Bonuses	-	78,088
Contributions to UIF, Medical and Pension Funds	10,877	23,400
	716,914	**774,533**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

26. Employee related costs (continued)

Economic Development

Annual Remuneration	-	100,580
Car ,Entertainment,Housing,Subsistence and Other Allowances	-	322,409
Performance Bonuses	-	68,581
Contributions to UIF, Medical and Pension Funds	-	39,478
	-	**531,048**

The position of the Director Economic Development was vacant due to the revised structure of the municipality.

Infrastructure and Human Settlements

Annual Remuneration	373,389	392,781
Car ,Entertainment,Housing,Subsistence and Other Allowances	250,074	199,569
Performance Bonuses	-	76,495
Contributions to UIF, Medical and Pension Funds	73,360	-
	696,823	**668,845**

Cleansing and Maintenance

Annual Remuneration	661,795	627,108
Car ,Entertainment,Housing,Subsistence and Other Allowances	100,800	102,593
Performance Bonuses	-	91,946
	762,595	**821,647**

Protection Services

Annual Remuneration	301,134	301,134
Car ,Entertainment,Housing,Subsistence and Other Allowances	425,258	387,617
Performance Bonuses	-	78,088
Contributions to UIF, Medical and Pension Funds	8,072	23,866
	734,464	**790,705**

Health and Community Services

Annual Remuneration	92,348	287,045
Car Allowance	84,168	321,802
Performance Bonuses	-	78,317
Contributions to UIF, Medical and Pension Funds	41,775	23,415
	218,291	**710,579**

The Director Community Services was not employed for the full financial year.

Strategic planning and Governance

Annual Remuneration	111,000	-
Car,entertainment,housing,subsistence and other allowances	88,341	-
Contributions to UIF, Medical and Pension Funds	10,238	-
	209,579	**-**

The Director Strategic Planning and Governance started in May 2012 as per revised new structure of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

26. Employee related costs (continued)

Operations

Annual Remuneration	406,759	-
Car Allowance	209,172	-
Contributions to UIF, Medical and Pension Funds	1,088	-
	617,019	**-**

Community services

Annual Remuneration	141,179	-
Car,Entertainment,Housing,Subsistence and other Allowances	91,002	-
Contributions to UIF, Medical and Pension Funds	7,577	-
	239,758	**-**

The Director of community services started in March 2012 as per the revised structure of the municipality.

Planning and Development

Annual Remuneration	-	477,212
Car ,Entertainment,Housing,Subsistence and other allowances	-	222,478
Performance Bonuses	-	103,727
Contributions to UIF, Medical and Pension Funds	-	37,613
	-	**841,030**

The position of the Director Planning and Development was vacant due to the new revised structure of the municipality.

27. Remuneration of councillors

Mayor's allowance	667,672	609,206
Deputy mayor's allowance	546,921	510,454
Speaker's allowance	568,220	532,744
Councillor's allowance-part time	9,413,115	8,519,803
Councillor's allowance-full time	4,504,899	4,441,106
	15,700,827	**14,613,313**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.The Mayor has two full -time bodyguards and Councillors may utilise official Council transportation when engaged in official duties.

28. Depreciation and amortisation

Property, plant and equipment	47,979,202	43,013,438
Intangible assets	282,186	250,571
	48,261,388	**43,264,009**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

29. Impairment of assets

Property, plant and equipment	316,656	27,491
Impairment losses exist predominantly due to property,plant and equipment being physically damaged,stolen or have become redundant.		
Intangible assets	-	195,061
Impairment losses on intangible assets exist predominantly due to technological obsolescence of information technology equipment.		
	316,656	**222,552**

30. Finance costs

Non-current borrowings	9,133,238	3,713,811

31. Bulk purchases

Electricity	57,007,362	45,912,213

Bulk purchases are the cost commodities not generated by the municipality ,which the municipality distributes to the municipal area for resale to consumers .Bulk purchases is purchased from Eskom.

32. Contracted services

Security and waste management	3,086,696	4,341,587
Lifeguarding	6,291,003	4,266,023
Verge cutting	7,103,112	3,463,312
Shark meshing fees	5,248,795	4,771,632
Other contractors	1,466,261	1,637,165
	23,195,867	**18,479,719**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

33. General expenses

Advertising	698,331	623,181
Bank charges	1,185,249	998,835
Stores and material	1,584,537	1,397,784
Consulting and professional fees	11,102,837	6,115,566
Clearing charges	650,731	689,916
Licences	688,300	682,627
Legal fees	2,119,786	2,267,559
Poverty alleviation projects	308,158	266,657
Hire	1,099,801	1,228,006
Insurance	1,430,669	1,979,152
Free basic services	1,546,419	2,662,985
1 house 1 garden	659,402	120,383
Lease rentals on operating lease	11,644,387	11,549,968
Home based care networking	180,509	404,798
Youth empowerment	934,582	846,537
Levies	1,827,715	2,756,172
Medical expenses	319,857	273,480
Postage and courier	1,595,897	1,558,365
Printing and stationery	1,316,459	1,245,659
Summons	558,230	103,964
Valuation fees	681,895	468,427
Subscriptions and membership fees	820,914	747,228
Telephone and fax	4,356,283	4,351,436
Training	2,771,870	1,753,930
Travel - local	1,985,585	1,552,879
Refuse bags	1,322,650	1,413,382
Electricity expenditure	12,638,139	-
Assets expensed	330,718	467,963
Electricity	6,538,757	4,687,320
Water	3,961,094	2,044,468
Security monitoring charges	4,660,116	4,173,333
Aircraft expenses	2,395,398	2,569,840
Housing expenditure	38,682,135	40,431,112
Budget roadshows	422,122	376,789
Refuse site disposal charges	3,007,296	2,871,944
Chemicals	699,193	581,015
Other expenses	13,907,022	14,637,207
	140,633,043	**120,899,867**

34. Auditors' remuneration

Fees	2,366,926	2,433,739

35. Housing selling units

Housing selling units	46,892	46,892

36. Accumulated surplus

The accumulated surplus consist of the following reserves:

Figures in Rand	2012	2011

36. Accumulated surplus (continued)

Housing development fund	26,828,801	25,492,153
Capital replacement reserve	26,961,788	26,961,788
Government grant reserve	216,303,381	216,303,381
Capitalisation reserve	18,329,539	18,329,539
Donations and public contributions reserve	3,018,235	3,018,235
Accumulated surplus/(Deficit) due to results of operations	162,801,703	133,587,134
	454,243,447	**423,692,230**

37. Housing development fund

Housing development fund	26,828,801	25,492,153

The housing development fund is represented by the following assets

Housing selling scheme loans	61,212	46,892
Trade and other receivables	45,579	53,718
Bank and cash	26,722,010	25,391,543
Assets	**26,828,801**	**25,492,153**

38. Revenue

Property rates	241,251,259	220,523,626
Property rates – Penalties imposed and collection charges	107,990	117,319
Service charges	114,436,923	97,199,536
Rental of facilities & equipment	2,308,100	2,324,932
Income from agency services	3,733,569	3,214,060
Public contributions and donations	10,768,632	-
Fines	1,264,614	1,419,095
Licences and permits	5,444,335	5,840,705
Government grants & subsidies	156,134,919	150,090,775
Interest earned arrear debtors	6,609,789	7,068,347
	542,060,130	**487,798,395**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	114,436,923	97,199,536
Rental of facilities & equipment	2,308,100	2,324,932
Income from agency services	3,733,569	3,214,060
Licences and permits	5,444,335	5,840,705
	125,922,927	**108,579,233**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	241,251,259	220,523,626
Property rates – Penalties imposed and collection charges	107,990	117,319
Public contributions and donations	10,768,632	-
Fines	1,264,614	1,419,095
Transfer revenue		
Government grants and subsidies	156,134,919	150,090,775
Interest earned arrear debtors	6,609,789	7,068,347
	416,137,203	**379,219,162**

Notes to the Annual Financial Statements

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39. Debt impairment

Debt impairment	7,159,213	4,953,143

40. Fair value adjustments

Investment property (Fair value model)	27,470,211	(95,631,340)

41. Cash generated from operations

Surplus (deficit)	18,373,376	(93,571,977)
Adjustments for:		
Depreciation and amortisation	48,261,388	43,264,009
Gains on fair value of property plant and equipment	-	(8,727,766)
Loss on sale of property plant and equipment	1,658,073	-
Gain on inventory movements	(3,452)	-
Fair value adjustments	(27,470,211)	95,631,340
Other movements in property plant and equipment	22,715,941	-
Impairment losses	316,656	222,552
Movements in retirement benefit assets and liabilities	3,067,688	4,226,153
Movement in Investment property	(1,290,000)	(1,518,000)
Contribution to long-service awards benefits	1,821,000	733,994
Impairment loss reversal	-	70,399
Expenditure on post employment benefits	(5,034,000)	(5,707,713)
Contribution to landfill site	1,351,272	7,623,800
Movement in bad debt provision	354,624	2,839,763
Bad debts written off	(7,513,837)	(2,113,380)
Bad debts recovered	-	27,425
Changes in working capital:		
Inventories	(275,544)	1,034,699
Other receivables from non-exchange transactions	1,993,075	5,411,591
Consumer debtors	(3,060,339)	(15,178,370)
Payables from exchange transactions	2,953,188	6,244,691
VAT receivable	(1,959,623)	-
Unspent conditional grants and receipts	(8,792,879)	(20,044,496)
Consumer deposits	1,387,005	903,015
Operating lease liability	(40,803)	(43,429)
	48,812,598	**21,328,300**

42. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	54,700,013	85,333,154

Approved but not yet contracted for		
• Property, plant and equipment	15,287,558	25,507,452

This committed expenditure relates to plant and equipment and will be financed by available internal sources and Government grants.

43. Contingent liabilities

1. The municipality is involved in a dispute where the applicant is claiming R 629 348 storage fees and repairs to council's moveable assets. The council is defending the matter and the outcome of the matter is not known at this stage.

2. The municipality is being sued for R25 950 by the contractor for cancellation of the contract due to non- performance by the contractor. The council is defending the matter and the outcome of the matter is not known at this stage.

3. The municipality is being sued for R752 400 by the applicant for the hire of vehicle refuse removal of the applicant. The council is defending the matter and the outcome is not known at this stage..

4. The council is being sued for R27 000 by the contractor for services rendered by the contractor on behalf of the municipality and the outcome of the matter is not known at this stage.

5. The municipality is being sued by the aupplier for R244 872 for collection of refuse on behalf of the municipality during the strike by the municipal employees. The council is defending the matter and the outcome is not known at this stage.

6. The municipality is being sued for R23 993 for the damages to the motor vehicle of the applicant by the municipal vehicle. The municipality is defending the matter and the outcome is not known at this stage.

7. The municipality is being sued for R250 000 by the applicant for damages arising out of an alleged wrongful arrest . The allocation of the trial date is awaited. The municipality is defending the matter and the outcome is not known at this stage.

8. The municipality is defending the claim for R155 075 for goods delivered to the municipality by the supplier. The outcome of the matter is not known at this stage.

9. The municipality is defending the claim for R100 000 for defamation of character from the municipal employee. The outcome of the matter is not known at this stage.

10. The municipality is being sued for R1400 000 by the applicant for unlawful arrest and assault by the municipal police. The municipality is defending the claim and the outcome of the matter is not known at this stage.

11. The municipality is being sued for R121 000. as a results of the applicant sustaining injuries from fall into open manhole. The municipality is defending the claim and the outcome is not known at this stage.

12. The applicant is suing the municipality for R 49 000 for damages arising out of the issue of " Notice to Discontinue Operation of Motor Vehicle " by the municipality . The municipality is defending the claim and the matter has been set down for trial on 13 September 2012 . The outcome of the matter is not known at this stage.

13. The municipality is being sued by the applicant for R296 990 for damages arising out of an alleged fall inot an open manhole.The discovery process is being finalised thereafter the trial date will be allocated. The municipality is defending the matter and the outcome is not known at this stage.

14. The municipality is being sued by the applicant for damages for R3,5 million arising from an alleged assault by a colleague in the course and scope of employment. The plaintiff's attorneys have applied for a trial date and the outcome of the matter is not known at this stage.

15. The municipality is being sued for R300 000 for damages arising out of an alleged fall into an open manhole. The Plaintiff is to file his discovery affidavit and set the matter down for trial thereafter . The outcome of the matter is not known at this stage.

16. The municipality is the defendant in the matter regarding the security services being rendered to the municipality. The financial implication is if the High court set aside the tender, there could be a damages claim in respect of this tender. The amount of claim caanot be estimated t this stage.

17. The municipality is being sued for R 80 000 by one of its employee for defamation pursuant to a disciplinary process instituted by the municipality against the employee. The trial finalised all formal evidence and the matter is for argument by attornerys for both sides in September 14, 2012.The outcome of the matter is not known at this stage.

18.The municipality is being sued for R94 578.37 for damages,motor collision involving municipal traffic police. The council is defending the matter and the outcome is not known at this stage.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

43. Contingent liabilities (continued)

19.The municipality is being sued for R90 589.90 by the applicant on damages .The council is defending the claim and the outcome is not known at this stage.

20.The municipality is being sued for R60 000.00 for unilateral termination of the contract for tender awarded . The council is defending the claim and the outcome of the claim is not known at this stage.

21.The municipality is being sued for R2 200 000.00 by the applicant for eviction action /Land claim . The municipality is defending the matter and the outcome is not known at this stage.

44. Related parties

Relationships

Municipal entity	Hibiscus Coast Development agency
Members of key management	Refer to Personnel and remuneration of councillors notes

The Hibiscus Coast Development agency is the wholly owned subsidiary of the Hibiscus Coast Municipality.

Related party transactions

	2012	2011
Revenue of service charges received from related parties		
Councilors	178,910	62,721
Municipal manager and section 57 managers	124,266	58,607
	303,176	**121,328**
Outstanding service charges from related parties		
Councilors	2,418	2,539
Municipal manager and section 57 managers	12,325	1,224
	14,743	**3,763**
Grants paid to the municipal entity		
Hibiscus coast development agency	1,500,000	-
Balances from municipal entity		
Other payables	-	423,901

The grant amounting to R1.5 m was paid by the municipality to its municipal entity and the R423 901 was the balance outstanding at year end in 2011 for the work done by the municipal entity on behalf of the parent municipaloty . The municipal entity is the wholly owned entity of the municipality.

	2012	2011
Compensation to accounting officer and other key management		
Accounting officer and key management personnel	5,984,720	6,563,427
Remuneration of councillors	15,700,827	14,613,313
	21,685,547	**21,176,740**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

45. Change in estimate

Property, plant and equipment

A change in estimated useful lives for capitalised leases and other assets with zero carrying values has resulted in change on accumulated depreciation and depreciation. Management has also assessed the useful lives and depreciation method of other classes of assets and there has been no changes except for the other assets and capitalised leases regarding the useful lives.

Accumulated depreciation		
Accumulated depreciation as per the initial estimate	5,396,145	-
Accumulated depreciation according to re-estimated useful lives	(3,507,561)	-
	1,888,584	**-**

46. Prior period errors

During the year it was discovered that minor assets below R2000.00 has been expensed as per the asset management policy which is in contrary to GRAP 17 requirements that prohibits the threshold for the capitalisation of assets. As the asset management policy has been applied since the implementation of GRAP 17 in 2006/2007 ,the retrospective application is for the period 01 July 2008 to 30 June 2011.

The impact of the adjustment is as follows:

Restatement of Property plant and equipment		
Balance previously published per AFS as at 30 June 2007	227,250,663	-
Revaluation of property plant and equipment	435,727,255	-
Additions and work in progress	40,111,432	-
Depreciation charge for the period	(21,008,057)	-
Disposal of property plant and equipment	(12,684,189)	-
GRAP 16 and 102 implementation	(62,074,504)	-
GRAP 17 Adjustments (PPE incorrectly expensed as minor assets)	116,309	-
Balance now published per AFS as at 30 June 2008	**607,438,909**	**-**

Transactions in 2008/2009		
Restated balance as per AFS as at 30 June 2008	607,438,909	-
Additions	71,068,662	-
Depreciation charge for the year	(24,978,084)	-
Disposals for the year	(11,776,953)	-
Infrastructure assets not previoulsy accounted for	36,044,636	-
GRAP 17 Adjustments(PPE incorrectly expensed as minor assets)	684	-
Balance now published as per AFS as at 30 June 2009	**677,797,854**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

46. Prior period errors (continued)

Transactions in 2009/2010		
Restated balance as per AFS 30 June 2009	677,797,854	-
Depreciation charge for the year	(42,187,849)	-
Prior period adjustments	1,521,210	-
Impairment losses	(17,631)	-
GRAP 3 Adjustments	121,433	-
Correction of 2010 accumulated depreciation	6,678,924	-
PPE incorrectly capitalised	(25,121,946)	-
Additions	108,633,015	-
Balance now published as per AFS as at 30 June 2010	**727,425,010**	**-**

Transactions in 2010/2011		
Restated balance as per AFS 30 June 2010	727,425,010	-
Additions	54,578,269	-
Depreciation charge for the year	(43,013,438)	-
Transfer from investment property	1,518,000	-
Transfer to investment property	(212,255,340)	-
Impairment losses	(27,491)	-
Property plant and equipment fair valued	8,727,766	-
Decrease in accumulated depreciation- Useful life review	1,888,584	-
Missallocation to land and buildings	(2,337,570)	-
Allocation to community assets	2,337,570	-
GRAP 17 Adjustments(PPE incorrectly expensed as minor assets)	304,239	-
Balance now published per AFS as at 30 June 2011	**539,145,599**	**-**

During the year it was discovered that intangible assets (CaseWare) was not accounted for as additions in 2011 . The impact of the adjustments is as follows:

Intangible assets		
Balance as per AFS 30 June 2011	531,329	-
Intangible assets not accounted for in the accounting records	148,448	-
Balance now published per AFS as at 30 June 2011	**679,777**	**-**

Trade payables has been reclassified to correctly comply with GRAP 1 requirements regarding VAT Payable. The restatement of trade payables has no effect on the accumulated surplus.

Trade payables		
Balance previously published as per AFS 30 June 2011	84,672,986	-
VAT Payable	(268,280)	-
Balance now published per AFS as at 30 June 2011	**84,404,706**	**-**

The above errors on the property plant and equipment and intangible assets except trade payables has the following effect on the accumulated surplus for the 30 June 2011.

Accumulated surplus		
Restated balance as per AFS 30 June 2011	421,112,536	-
Accumulated depreciation prior years	194,612	-
Intangible assets not accounted for in the accounting records	148,448	-
Decrease in accumulated depreciation- Useful life review	1,888,584	-
Missallocation to land and buildings	(2,337,570)	-
Allocation to community assets	2,337,570	-
GRAP 17 Adjustments(PPE incorrectly expensed as minor assets)	348,050	-
Balance now published per AFS as at 30 June 2011	**423,692,230**	**-**

46. Prior period errors (continued)

47. Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

48. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 18 ,cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality , to set appropriate risk limits and controls and to monitor risks and adhered to limits.

Due to the largely non-trading nature of activities and the way in which they are financed,municipalities are not exposed to the degree of financial risks faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which IASs may apply.Generally ,Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate :Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures . These risks includes interest rate risk, credit risk and liquidity . Compliance with policies and procedures is reviewed by internal auditors on a continuous basis,and annually by external auditors. The municipaliy does not enter into or trade financial instruments for speculative purposes.

Internal audit,responsible for initiating a control framework and monitoring and responding to potential risk ,reports quarterly to the municipality's audit committee,an independent body that monitors the effectiveness of the internal audit function.

48. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities . The , municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Standard Bank	3,730,473	4,174,179	4,670,659	37,564,438
INCA	945,024	-	-	-
NRB	29,720	20,038	-	-
DBSA	990,776	-	-	-
DBSA	20,337	-	-	-
DBSA	80,294	-	-	-
DBSA	482,966	-	-	-
DBSA	307,616	-	-	-
DBSA	9,013	-	-	-
DBSA	49,516	-	-	-
DBSA	217,894	72,632	-	-
DBSA	36,380	12,127	-	-
DBSA	105,510	105,510	105,510	-
DBSA	209,617	419,234	1,268,257	-
DBSA	39,687	39,687	39,687	-
DBSA	106,214	106,214	106,214	-
DBSA	325,241	325,241	325,241	1,300,968
DBSA	261,205	261,205	261,205	1,567,239

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

48. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents ,investments and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed rates.

Potential concentrations of interest rate risk consist mainly of long-term debtors,consumer debtors,other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit ratings.The credit exposure to any single counterparty is managed by setting percentage exposure limits,which are included in the municipality's investment policy. These limits are reviewed by the Chief Financial Officer and authorised by Council.

Consumer debtors comprise of a large number of ratepayers,dispersed accross different industries and geographical areas. Periodic credit evaluations are performed on the financial conditions of these debtors.Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become arrears,it is endeavoured to collect such accounts by "levying of penalty charges", " demand for payment"," and as a last resort," handed over for collection", whichever procedure is applicable in terms of the Council's credit control policy.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2012**	**2011**
Trade receivables	95,545,035	92,839,320
Other receivables	3,020,125	5,013,000
Long-term receivables	12,528,609	13,713,101
Bank balances and cash	177,206,251	142,711,641
Short-term investments	-	65,000,000

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

50. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

51. Unauthorised expenditure

Add: Unauthorised expenditure during the year	50,500,252	-
Less:Unauthorised expenditure condoned	(50,500,252)	-
	-	-

The adjusted budget has been exceeded by the following amounts:

- Employee related costs -R28 863 276.00
- Debt impairment -R6 941 413.00
- Finance charges -R6 532 143
- Bulk purchases-R2 278 363.00
- General expenses -R 5 885 267.00

The disclosed unauthorised expenditure has been condoned by the council on 30 October 2012

52. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure during the year	18,824	-

The fruitless and wasteful expenditure relates to incorrect leave days being used for the payment of leave to certain municipal employees. The report will be tabled to EXCO to condone the expenditure .

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

53. Irregular expenditure

Opening balance	1,972,147	-
Add: Irregular Expenditure - current year	7,245,020	1,972,147
Less: Amounts condoned	(3,407,065)	-
	5,810,102	**1,972,147**

Details of irregular expenditure – current year

	Steps taken	
The irregular expenditure relates to an amount paid to Compass Waste Services . These payment were made before the contract was entered into between the supplier and the municipality	The irregular expenditure has been condoned by the council	10,095
The irregular expenditure relates to an amount paid to Engen Petroleum. There were no contract between the municipality and the supplier	The irregular expenditure has been condoned by the council.	178,523
Three quotations were not obtained for the payments amounting to R 1 246 300 to the various suppliers resulting in contravention of SCM.	The irregular expenditure has been condoned by the council	1,246,300
The following payments were made to persons in service of other state institutions resulting in non-compliance with SCM Regulations 44	The report will be prepared and tabled to council to condone the irregular expenditure	27,950
Payments amounting to R 4 070 997.12 were made to close corporations whose owners are the employees of the municipality. This has resulted in contravention of SCM Regulations.	The report will be tabled to council to condone irregular expenditure.	4,070,997
Three quotations were not obtained for the payments to the suppliers resulting in non-compliance with SCM Regulations.	The report will be tabled to council to condone the irregular expenditure	1,711,155
		7,245,020

54. In-kind donations and assistance

The provincial treasury seconded a team to assist the municipality regarding the contract management at no cost to the municipality.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	754,543	645,806
Amount paid - current year	(754,543)	(645,806)
	-	-

Electricity losses

Electricity losses during the year	1,865,068	2,320,757

The municipality average electricity losses to be approximately 3.3 % . The loss is calculated by comparing quantity of electricity sold to quantity purchased. The electricty losses has been reduced as compared to previous years.

Figures in Rand	2012	2011

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year subscription / fee	2,366,926	2,433,739
Amount paid - current year	(2,366,926)	(2,433,739)
	-	-

PAYE and UIF

Current year subscription / fee	23,434,421	21,502,275
Amount paid - current year	(23,434,421)	(21,502,275)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	33,925,438	29,554,229
Amount paid - current year	(33,925,438)	(29,554,229)
	-	-

VAT

VAT receivable	1,691,343	-
VAT payable	-	268,280
	1,691,343	**268,280**

VAT output payables and VAT input receivables are shown in notes .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

During the year there were no councillors in arrears.

June 30, 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Tshomela GN	465	-	465

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

1. Appointment of a service provider Allison Family Trust to provide meals at Port Shepstone Civic Centre for various activities amounting to R34 615.00 .No quotations were sought for the appointment of the supplier.

2. Appointment of Builders Plant and Hire for the repairs of the compactor truck amounting to R 10 278.19 . Due to urgency of the repairs , three quotations were not sought as per SCM .

3. Appointment of a Mobile repairs ,services and panel beating to attend to various repairs to motor vehicles for R 87 700.00 . Due to urgency of the repairs three quotations were not obained as required by SCM.

4. Repairs amounting to R68 982 to Thompson motors for repairs to motor vechicles. The repairs were urgent as a result no three quotations were obtained for this expenditure.

5. The appointment of RKN Auto Centre for the various repairs to motor vehicles for R102 285. The repairs were urgent and three quotations were not obtained.

6. Payments to Pool Wize amounting to R4500 for the repairs to Marburg pool , three quotations were not obtained as the matter was urgent.

7.Indigent burial payments made to Freemans Funeral ,Gisa Investments and Goodhope Funeral Home amounting to R15000, R 3000.00 and R6000.00 respectively were made without following the SCM processes as these were urgent.

8. Payments to Independent Newspapers for the advertisement of the Spacial Development Framework amounting to R20 592 were made without three quotations.

9.New tyres for NPS 39104 amounting to R7040.00 from Auto Junction Fitment Centre ,there was an ermegency on this matter as quotations were not obtained as required by SCM

10. Payment to Bendigo Electrical for the fixing of airconditioner and cable installation amounting R2052.54 were made as these repairs were urgent . No quotations were obtained for these repairs.

11. Payments to Bates GM amounting to R2793.00 for vehicle running costs ,only one quotation were obtained thus in contravention of SCM.

12. The appointment of Oribi Hardware for the purchase of toilet roll holder and security gate for R4274 ,the matter was urgent as three quotations were not obtained.

13. Various payments for repairs to motor vehicles amounting to R 13 068 were made to suppiers without obtaining quotations as these were urgent matters thus in contravention of SCM.

14. Electrical repairs for R9083.00 made by MB Electrical and Lighting were made without obtainig three quotations as the matter was urgent.

Furthermore in terms of section 45 Supply Chain Management Regulations any awards of more than R2000.00 made to a persons who is a spouse ,child or parent of a person in service of the state or has been in the service of the state for the past twelve months ,including the name of that person ,the capacity in which that person is in the service of the state and amount of the awards must be disclosed in the notes to the financial statements.The municipality has made the following awards to persons who is a spouse ,child or parent of a person in service of the municipality.

1.The payment to Environmental Solutions amounting to R44 658.00 whose owner is related to Peter Naude,the councillor of the Hibiscus Coast Municipality.

2.The payments to Arts Trend SA amounting to R32 500.00 whose owner is related to Mrs Nguqu .the Museum curator employed by the municipality.

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

3.The payment to Unknown Trading amounting to R3 029.00 and the company is related to Mrs SP Ngwabe .the Enrolled Nurse employed by the municipality.

4.The payment to South Coast Garden Services amounting to R 2 834 538.00 owned by the wife of the Director Cleansing and Maintenance.

56. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure. No unauthorised expenditure refer to note 53.

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	233,992,000	234,623,000	234,623,000	241,359,249	(6,736,249)	103 %	103 %
Service charges	115,172	104,616,000	104,616,000	114,436,923	(9,820,923)	109 %	99,362 %
Investment revenue	16,298,100	13,680,000	13,680,000	8,265,792	5,414,208	60 %	51 %
Transfers recognised - operational	78,339,283	72,186,222	72,186,222	135,116,765	(62,930,543)	187 %	172 %
Other own revenue	198,133,445	97,235,778	97,235,778	60,765,013	36,470,765	62 %	31 %
Total revenue (excluding capital transfers and contributions)	**526,878,000**	**522,341,000**	**522,341,000**	**559,943,742**	**(37,602,742)**	**107 %**	**106 %**
Employee costs	(204,260,000)	(204,347,000)	(204,347,000)	(233,210,267)	28,863,267	114 %	114 %
Remuneration of councillors	(17,467,000)	(17,467,000)	(17,467,000)	(15,700,827)	(1,766,173)	90 %	90 %
Debt impairment	(3,025,353)	(217,800)	(217,800)	(7,159,213)	6,941,413	3,287 %	237 %
Depreciation and asset impairment	(45,986,492)	(45,964,712)	(45,964,712)	(48,578,044)	2,613,332	106 %	106 %
Finance charges	(7,015,869)	(2,601,095)	(2,601,095)	(9,133,238)	6,532,143	351 %	130 %
Materials and bulk purchases	(58,929,284)	(54,729,000)	(54,729,000)	(57,007,362)	2,278,362	104 %	97 %
Transfers and grants	(12,812,950)	(6,116,475)	(6,116,475)	(5,785,216)	(331,259)	95 %	45 %
Other expenditure	(177,381,052)	(190,897,918)	(190,897,918)	(196,782,985)	5,885,067	103 %	111 %
Total expenditure	**(526,878,000)**	**(522,341,000)**	**(522,341,000)**	**(573,357,152)**	**51,016,152**	**110 %**	**109 %**
Surplus/(Deficit)	**-**	**-**	**-**	**(13,413,410)**	**13,413,410**	**DIV/0 %**	**DIV/0 %**

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	512,120	1,263,500	1,263,500	21,018,154	(19,754,654)	1,663 %	4,104 %
Contributions recognised - capital and contributed assets	-	-	-	10,768,632	(10,768,632)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**512,120**	**1,263,500**	**1,263,500**	**18,373,376**	**(17,109,876)**	**1,454 %**	**3,588 %**
Surplus/(Deficit) for the year	**512,120**	**1,263,500**	**1,263,500**	**18,373,376**	**(17,109,876)**	**1,454 %**	**3,588 %**

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources							
Total capital expenditure	8,000	16,000	16,000	9,760	6,240	61 %	122 %
Sources of capital funds							
Executive and Council	93,306,630	93,306,630	93,306,630	61,311,662	31,994,968	66 %	66 %
Finance and Admin	579,401	579,401	579,401	448,646	130,755	77 %	77 %
Planning and Dev	211,500	211,500	211,500	123,269	88,231	58 %	58 %
Community and Social Services	798,411	11,257,108	11,257,108	11,257,108	-	100 %	1,410 %
Public Safety	1,784,750	1,784,750	1,784,750	1,125,635	659,115	63 %	63 %
Waste Management	693,000	693,000	693,000	473,118	219,882	68 %	68 %
Electricity	1,270,950	1,270,950	1,270,950	191,761	1,079,189	15 %	15 %
Total sources of capital funds	**98,644,642**	**109,103,339**	**109,103,339**	**74,931,199**	**34,172,140**	**69 %**	**76 %**

Hibiscus Coast Municipality
Appendix A

Schedule of external loans as at 30 June 2012

	Loan Number	Redeemable	Balance at Thursday, June 30, 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, June 30, 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans								
DBSA	61000011	30/09/2012	1,792,046	-	801,270	990,776	-	-
DBSA	61001233	30/09/2012	2,106,725	-	209,617	1,897,108	-	-
DBSA	61002326	30/09/2017	128,688	-	9,628	119,060	-	-
DBSA	61002330	31/12/2012	27,441	-	7,104	20,337	-	-
DBSA	61002332	31/12/2012	108,340	-	28,047	80,293	-	-
DBSA	61002409	30/06/2015	651,667	-	168,700	482,967	-	-
DBSA	61002140	30/06/2015	49,145	-	639	48,506	-	-
DBSA	61002518	30/06/2015	328,770	-	12,238	316,532	-	-
DBSA	61002519	31/12/2013	325,532	-	35,006	290,526	-	-
DBSA	61002559	31/12/2011	10,703	-	10,703	-	-	-
DBSA	61002560	31/12/2012	12,267	-	3,253	9,014	-	-
DBSA	61002563	30/06/2012	87,442	-	37,926	49,516	-	-
DBSA	61002905	30/06/2016	321,407	-	2,765	318,642	-	-
DBSA	61003180	31/12/2019	2,326,316	-	49,625	2,276,691	-	-
DBSA	61003298	31/12/2021	2,362,500	-	11,646	2,350,854	-	-
Planet Finance	7036153002	15/12/2012	79,478	-	29,720	49,758	-	-
INCA	HHIBI-00	31/12/2012	2,652,916	-	1,707,882	945,034	-	-
Standard Bank	252495690	07/10/2020	53,459,006	-	3,319,258	50,139,748	-	-
	61002518	31/12/2012	408,169	-	100,554	307,615	-	-
			67,238,558	**-**	**6,545,581**	**60,692,977**	**-**	**-**
Total external loans			**67,238,558**	**-**	**6,545,581**	**60,692,977**	**-**	**-**

Hibiscus Coast Municipality

Hibiscus Coast Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	**93,975,490**	-	-	-	(5,005,110)	-	**(5,005,110)**	88,970,380
	118,000,551	**56,150**	**(1,012,000)**	**(23,069,211)**	**-**	**-**	**93,975,490**	**-**	**-**	**-**	**(5,005,110)**	**-**	**(5,005,110)**	**88,970,380**
Infrastructure														
Infrastructure	293,683,453	31,417,908	-	-	-	-	**325,101,361**	-	-	-	(29,739,688)	-	**(29,739,688)**	295,361,673
	293,683,453	**31,417,908**	**-**	**-**	**-**	**-**	**325,101,361**	**-**	**-**	**-**	**(29,739,688)**	**-**	**(29,739,688)**	**295,361,673**
Community Assets														
Community Assets	96,170,748	35,029,138	-	-	-	-	**131,199,886**	-	-	-	(5,115,397)	-	**(5,115,397)**	126,084,489
	96,170,748	**35,029,138**	**-**	**-**	**-**	**-**	**131,199,886**	**-**	**-**	**-**	**(5,115,397)**	**-**	**(5,115,397)**	**126,084,489**

Hibiscus Coast Municipality

Hibiscus Coast Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	1,051,670	77,109	-	-	-	-	**1,128,779**	27,491	-	-	-	-	**27,491**	1,128,779
	1,051,670	**77,109**	**-**	**-**	**-**	**-**	**1,128,779**	**27,491**	**-**	**-**	**-**	**-**	**27,491**	**1,128,779**
Specialised vehicles														
Refuse	2,538,587	-	-	-	-	-	**2,538,587**	5,396,146	-	604,615	-	-	**6,000,761**	1,933,972
	2,538,587	**-**	**-**	**-**	**-**	**-**	**2,538,587**	**5,396,146**	**-**	**604,615**	**-**	**-**	**6,000,761**	**1,933,972**
Other assets														
Plant & equipment	27,700,590	8,643,303	(3,014,312)	-	-	-	**33,329,581**	-	-	-	(7,414,950)	(316,655)	**(7,731,605)**	25,597,976
	27,700,590	**8,643,303**	**(3,014,312)**	**-**	**-**	**-**	**33,329,581**	**-**	**-**	**-**	**(7,414,950)**	**(316,655)**	**(7,731,605)**	**25,597,976**

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	**-**	**93,975,490**	-	-	-	(5,005,110)	-	**(5,005,110)**	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	**-**	**325,101,361**	-	-	-	(29,739,688)	-	**(29,739,688)**	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	**-**	**131,199,886**	-	-	-	(5,115,397)	-	**(5,115,397)**	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	**-**	**1,128,779**	27,491	-	-	-	-	**27,491**	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	**-**	**2,538,587**	5,396,146	-	604,615	-	-	**6,000,761**	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	**-**	**33,329,581**	-	-	-	(7,414,950)	(316,655)	**(7,731,605)**	25,597,976
	539,145,599	**75,223,608**	**(4,026,312)**	**(23,069,211)**	**-**	**-**	**587,273,684**	**5,423,637**	**-**	**604,615**	**(47,275,145)**	**(316,655)**	**(41,563,548)**	**539,077,269**
Agricultural/Biological assets														
Intangible assets														
Other	679,777	69,943	-	-	-	**-**	**749,720**	-	-	-	(282,186)	-	**(282,186)**	467,534
	679,777	**69,943**	**-**	**-**	**-**	**-**	**749,720**	**-**	**-**	**-**	**(282,186)**	**-**	**(282,186)**	**467,534**
Investment properties														
Investment property	260,856,000	-	(1,290,000)	23,069,211	-	**27,470,211**	**310,105,422**	-	-	-	-	-	**-**	310,105,422
	260,856,000	**-**	**(1,290,000)**	**23,069,211**	**-**	**27,470,211**	**310,105,422**	**-**	**-**	**-**	**-**	**-**	**-**	**310,105,422**
Total														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	**-**	**93,975,490**	-	-	-	(5,005,110)	-	**(5,005,110)**	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	**-**	**325,101,361**	-	-	-	(29,739,688)	-	**(29,739,688)**	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	**-**	**131,199,886**	-	-	-	(5,115,397)	-	**(5,115,397)**	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	**-**	**1,128,779**	27,491	-	-	-	-	**27,491**	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	**-**	**2,538,587**	5,396,146	-	604,615	-	-	**6,000,761**	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	**-**	**33,329,581**	-	-	-	(7,414,950)	(316,655)	**(7,731,605)**	25,597,976
Intangible assets	679,777	69,943	-	-	-	**-**	**749,720**	-	-	-	(282,186)	-	**(282,186)**	467,534
Investment properties	260,856,000	-	(1,290,000)	23,069,211	-	**27,470,211**	**310,105,422**	-	-	-	-	-	**-**	310,105,422
	800,681,376	**75,293,551**	**(5,316,312)**	**-**	**-**	**27,470,211**	**898,128,826**	**5,423,637**	**-**	**604,615**	**(47,557,331)**	**(316,655)**	**(41,845,734)**	**849,650,225**

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets	**814,444,690**	**-**	**536,359,149**	**-**	**-**	**-**	**1,350,803,839**	**(278,085,541)**	**536,359,149**	**-**	**-**	**-**	**258,273,608**	**1,609,077,447**

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment	**814,444,690**	**-**	**536,359,149**	**-**	**-**	**-**	**1,350,803,839**	**(278,085,541)**	**536,359,149**	**-**	**-**	**-**	**258,273,608**	**1,609,077,447**
Intangible assets	**531,329**	**-**	**531,329**	**-**	**-**	**-**	**1,062,658**	**-**	**531,329**	**-**	**-**	**-**	**531,329**	**1,593,987**
Investment properties														
Investment property	-	-	260,856,000	-	-	**-**	**260,856,000**	-	260,856,000	-	-	-	**260,856,000**	521,712,000
	-	**-**	**260,856,000**	**-**	**-**	**-**	**260,856,000**	**-**	**260,856,000**	**-**	**-**	**-**	**260,856,000**	**521,712,000**
Total														
Other assets	814,444,690	-	536,359,149	-	-	**-**	**1,350,803,839**	(278,085,541)	536,359,149	-	-	-	**258,273,608**	1,609,077,447
Intangible assets	531,329	-	531,329	-	-	**-**	**1,062,658**	-	531,329	-	-	-	**531,329**	1,593,987
Investment properties	-	-	260,856,000	-	-	**-**	**260,856,000**	-	260,856,000	-	-	-	**260,856,000**	521,712,000
	814,976,019	**-**	**797,746,478**	**-**	**-**	**-**	**1,612,722,497**	**(278,085,541)**	**797,746,478**	**-**	**-**	**-**	**519,660,937**	**2,132,383,434**

Hibiscus Coast Municipality
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment deficit Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality														
Executive & Council/Mayor and Council	221,314,259	23,640,540	-	-	-	-	**244,954,799**	-	-	-	(22,304,766)	-	**(22,304,766)**	222,650,033
Finance & Admin/Finance	73,420,863	7,854,477	-	-	-	-	**81,275,340**	-	-	-	(7,434,922)	-	**(7,434,922)**	73,840,418
Planning and Development/Economic Development/Plan	19,234,149	7,005,827	-	-	-	-	**26,239,976**	-	-	-	(1,023,079)	-	**(1,023,079)**	25,216,897
Human Settlements	76,936,598	28,023,309	-	-	-	-	**104,959,907**	-	-	-	(4,092,318)	-	**(4,092,318)**	100,867,589
Comm. & Social/Libraries and archives	118,000,560	56,150	(1,012,000)	(23,069,211)	-	-	**93,975,499**	-	-	-	(5,005,110)	-	**(5,005,110)**	88,970,389
Other	30,239,178	8,643,303	(3,014,312)	-	-	-	**35,868,169**	-	-	-	(8,019,574)	(316,655)	**(8,336,229)**	27,531,940
	539,145,607	**75,223,606**	**(4,026,312)**	**(23,069,211)**	**-**	**-**	**587,273,690**	**-**	**-**	**-**	**(47,879,769)**	**(316,655)**	**(48,196,424)**	**539,077,266**
Municipal Owned Entities														
Total														
Municipality	539,145,607	75,223,606	(4,026,312)	(23,069,211)	-	-	**587,273,690**	-	-	-	(47,879,769)	(316,655)	**(48,196,424)**	539,077,266
	539,145,607	**75,223,606**	**(4,026,312)**	**(23,069,211)**	**-**	**-**	**587,273,690**	**-**	**-**	**-**	**(47,879,769)**	**(316,655)**	**(48,196,424)**	**539,077,266**

Hibiscus Coast Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
301,055,863	187,781,094	113,274,769	Executive & Council/Mayor and Council	433,850,263	206,591,951	227,258,312
2,610,372	25,994,198	(23,383,826)	Finance & Admin/Finance	4,385,083	26,555,989	(22,170,906)
2,376,046	17,481,123	(15,105,077)	Planning and Development/Economic Development/Plan	2,623,756	18,457,490	(15,833,734)
112,386	14,590,107	(14,477,721)	Health/Clinics	3,575,707	14,748,393	(11,172,686)
1,406,526	35,445,417	(34,038,891)	Comm. & Social/Libraries and archives	15,130,422	38,948,517	(23,818,095)
250,982	5,537,687	(5,286,705)	Housing	8,334	5,476,859	(5,468,525)
-	32,143,560	(32,143,560)	Public Safety/Police	-	37,107,926	(37,107,926)
31,102,838	81,118,148	(50,015,310)	Waste Water Management/Sewerage	33,317,105	91,753,646	(58,436,541)
10,817,943	54,577,389	(43,759,446)	Road Transport/Roads	10,988,121	59,933,320	(48,945,199)
66,546,985	54,866,132	11,680,853	Electricity /Electricity Distribution	81,557,647	67,026,239	14,531,408
3,703,463	3,925,289	(221,826)	Other/Air Transport	3,363,616	3,826,348	(462,732)
419,983,404	**513,460,144**	**(93,476,740)**		**588,800,054**	**570,426,678**	**18,373,376**
			Municipal Owned Entities			
			Other charges			
419,983,404	513,460,144	(93,476,740)	Municipality	588,800,054	570,426,678	18,373,376
419,983,404	**513,460,144**	**(93,476,740)**	**Total**	**588,800,054**	**570,426,678**	**18,373,376**

Hibiscus Coast Municipality
Appendix E(1)

Yearly

	Forecast # 2 2012 Act. Bal. Rand	Forecast # 2 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	241,251,259	270,563,720	(29,312,461)	(10.8)	More rates collected as a result of incentive introduced
Service charges	114,436,923	117,726,471	(3,289,548)	(2.8)	
Property rates - penalties imposed and collection charges	107,990	105,900	2,090	2.0	
Rental of facilities and equipment	2,308,100	2,340,098	(31,998)	(1.4)	
Income from agency services	3,733,569	3,760,093	(26,524)	(0.7)	
Public contributions and donations	10,768,632	-	10,768,632	-	
Fines	1,264,614	1,500,000	(235,386)	(15.7)	Fines unde collected
Licences and permits	5,444,335	5,500,000	(55,665)	(1.0)	
Government grants & subsidies	156,134,919	95,009,800	61,125,119	64.3	Equitable share not realised
Interest earned arrear debtors	6,609,789	6,800,000	(190,211)	(2.8)	
Other income 1	-	-	-	-	
Other income	12,658,682	10,534,222	2,124,460	20.2	Clinic subsidies received
Interest received - investment	8,265,792	8,500,900	(235,108)	(2.8)	
Interest received - other	-	-	-	-	
	562,984,604	522,341,204	40,643,400	7.8	
Expenses					
Personnel	(233,210,267)	(225,125,352)	(8,084,915)	3.6	
Remuneration of councillors	(15,700,827)	(17,467,000)	1,766,173	(10.1)	
Depreciation	(48,261,388)	(45,964,712)	(2,296,676)	5.0	
Amortisation	-	-	-	-	
Impairments	(316,656)	(250,000)	(66,656)	26.7	More impairments not anticipated during the year
Landfill site	(1,351,272)	-	(1,351,272)	-	
Finance costs	(9,133,238)	(2,601,095)	(6,532,143)	251.1	Standard Bank interest not adequately budgeted for
Debt impairment	(7,159,213)	(217,800)	(6,941,413)	,187.1	More debt written off
Audit fees	(2,366,926)	(2,300,000)	(66,926)	2.9	
Repairs and maintenance - General	(26,305,542)	(26,500,000)	194,458	(0.7)	
Bulk purchases	(57,007,362)	(54,729,000)	(2,278,362)	4.2	
Contracted Services	(23,195,867)	(23,500,909)	305,042	(1.3)	
Grants and subsidies paid	(5,785,216)	(6,116,475)	331,259	(5.4)	
General Expenses	(140,633,044)	(117,568,861)	(23,064,183)	19.6	Housing and electricity expenditure not budgeted for
	(570,426,818)	(522,341,204)	(48,085,614)	9.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(1,658,073)	-	(1,658,073)	-	
Gains on inventory movements	3,452	-	3,452	-	
Fair value adjustments	27,470,211	-	27,470,211	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
	25,815,590	-	25,815,590	-	

Hibiscus Coast Municipality
Appendix E(1)

	Yearly				
	Forecast # 2 2012 Act. Bal.	**Forecast # 2 2012 Adjusted budget**	**Variance**		**Explanation of Significant Variances greater than 10% versus Budget**
Net surplus/ (deficit) for the year	18,373,376	-	18,373,376	-	